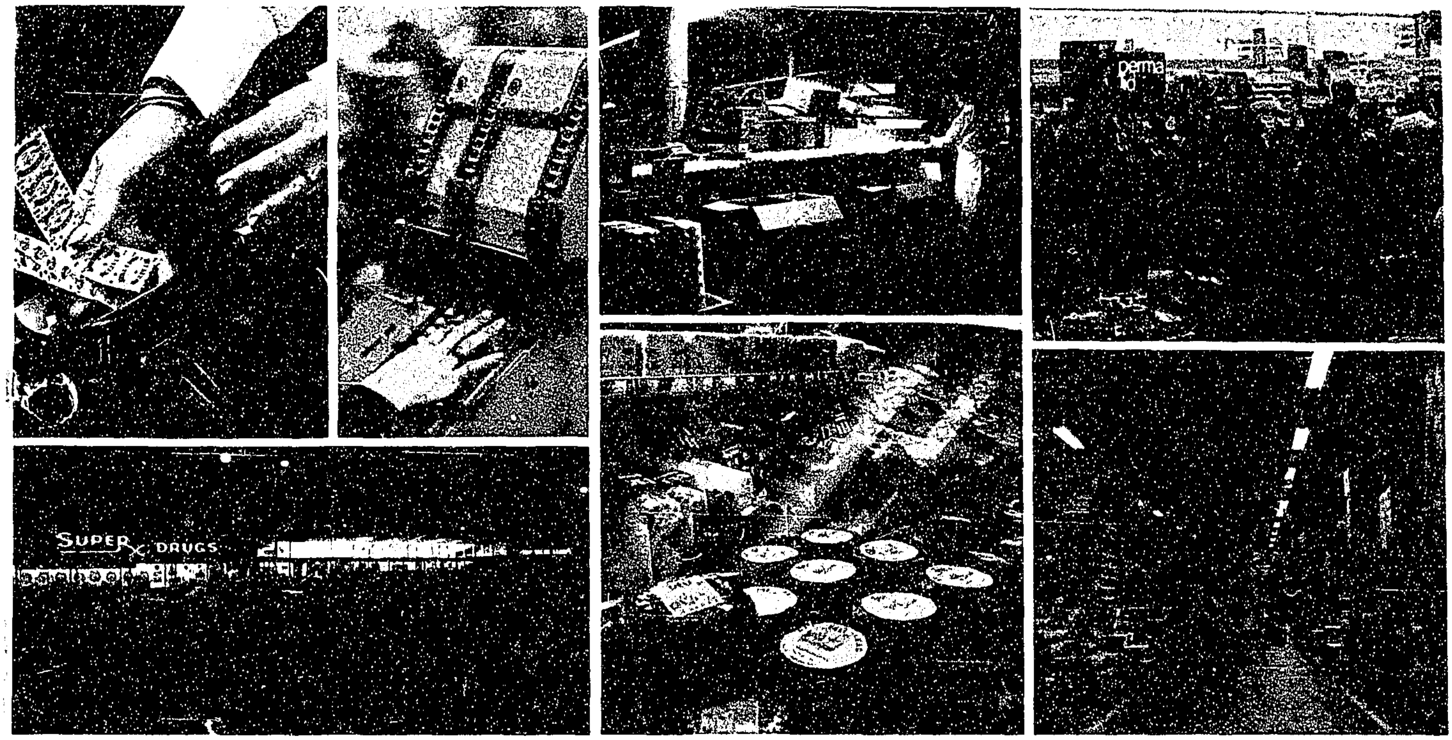


The Kroger Co. 1970 annual report

The Kroger Co.
1970 Annual Report

The Kroger Co., 1014 Vine Street, Cincinnati, Ohio 45201

Highlights

	1970	1969	Change
SALES	$3,735,774,014	$3,477,164,119	+7.4%
INCOME BEFORE EXTRAORDINARY ITEM	$ 39,732,444	$ 37,388,012	+6.3%
EXTRAORDINARY ITEM		$ 1,342,120	
NET INCOME	$ 39,732,444	$ 38,730,132	
DIVIDENDS PAID	$ 17,192,082	$ 17,034,403	
SHAREOWNERS' EQUITY	$ 332,451,562	$ 309,299,320	+7.5%
PER COMMON SHARE			
INCOME BEFORE EXTRAORDINARY ITEM	$ 3.00	$ 2.84	+$ .16
EXTRAORDINARY ITEM		$ .10	
NET INCOME	$ 3.00	$ 2.94	
DIVIDENDS	$ 1.30	$ 1.30	
SHAREOWNERS' EQUITY	$25.04	$23.34	+$1.70
RETURN ON SHAREOWNERS' AVERAGE EQUITY	12.38%	12.65%	

TRANSFER AGENTS

The First National Bank of Cincinnati, Cincinnati
Bankers Trust Company, New York

REGISTRARS

The Central Trust Company, Cincinnati
Chemical Bank New York Trust Company, New York

To our fellow shareowners:

Kroger sales and earnings reached new records again in 1970. Sales were up 7.4% over last year, to $3 7 billion. Ordinary earnings increased from $37.4 million to $39 7 million, 6.3% over 1969. Earnings per share rose from $2.84 to $3.00 As compared with 1969, LIFO charges were up 1¢ per share and investment tax credits down 17¢ per share.

Sales and profits started off well ahead of 1969, but in late February the company's St Louis operations were hit by an unauthorized drivers' strike which continued for 14 weeks. The profits normally generated by the extensive retailing and processing facilities in the St Louis area were seriously impaired. However, our diversified strengths enabled us to withstand this costly strike and substantially improve earnings for the year.

Capital expenditures for the year were a record $89 million—fulfilling growth plans developed during 1968 and 1969. While continuing the expansion in retail facilities, special attention was given to upgrading distribution facilities and equipment. In 1971, total capital spending will be lower, with emphasis on those expenditures directly relating to retail outlets and food processing facilities

In 1970, Kroger made its first trip to the public debt market in the company's 87-year history. Fifty million dollars of 25-year debenture bonds and twenty-five

Mr. Herring

Mr. Aders

million dollars of five-year notes were sold to finance the company's increasing commitments to growth and diversification. The bonds and notes were A-rated and enthusiastically subscribed, giving testimony to the soundness of the company and the faith of investors in our company's future.

During the year, we engaged in a major redeployment of dollars and people designed to improve future earnings We sold our warehouse and 26 stores in Chicago and 16 stores in Minneapolis-St. Paul, Minnesota. As we discontinued these unprofitable operations, we entered into separate agreements with a leading department store group and a well-known general merchandise chain to operate the supermarket departments in several discount stores in the Midwest and Southwest . . thus capitalizing on opportunities over and beyond the planned growth in retailing facilities.

Our company is now in an exciting and challenging economic environment. The costs of doing business—for people, products, and facilities—continue to mount, bringing about an ever-increasing need for creative and thoughtful management. As we continue to concentrate on operating efficiently and cutting out waste, we are enhancing profits by improving merchandising techniques and updating our retail facilities to meet the changing needs of our customers. Kroger's extensive and modern food processing facilities also offer great promise of increased profitability in the near and long-range future.

The social environment in which we operate is in a state of rapid change. We recognize that Kroger's future is closely identified with the future of its customers and their welfare. We have an important role to play in improving the nutrition and health of Americans . . . in cleaning up our natural environment . . . in providing career opportunities to deserving people on a fair and just basis.

Last October, former Chairman and President Jacob E. Davis retired from the active management of the company We will miss his day-to-day counsel, but we are pleased that he will continue to serve as a member of the Board of Directors. His contributions to Kroger have been far-ranging and truly distinguished. All of us are grateful for the solid and dynamic business organization that he developed.

Through the pages of this report you will see that The Kroger Co. today has a blend of businesses and a balance of investments and opportunities that give promise of strong and profitable growth for years to come. We firmly believe that we are in the right businesses at the right time. We have talented and dedicated people. We have great confidence in our company's future and we enter the year ahead with a sense of realistic optimism.

Sincerely,

James P. Herring
President

Robert A. Aders
Chairman of the Board

February 12, 1971

A future Kroger customer nestles in the Kroger bascart, undisturbed by the sounds of shoppers around him His young mother moves busily among the supermarket aisles, carefully selecting a juicy Tenderay steak before moving on to pick up some Kroger dinner rolls. Finally, her purchases completed, she approaches the checkstand where a perky teenager rings up her order.

To millions of Americans, this is a familiar scene. The Kroger Co. has been in the food retailing business for 87 years and our stores serve millions of customers every day. Food retailing remains our foundation, the rock upon which our past has been built and our future will depend.

And there are other scenes . . .

Trucks come and go at the loading docks of the large, modern structure. The hum of high-speed machinery bounces off its kitchen-clean interior walls. Rich aromas abound as looped links of hot dogs move slowly through the ovens and small stacks of luncheon meat are sealed into quality-preserving packages.

The business is sausage product manufacturing, and *it's part of Kroger . . .*

The hens cluck contentedly, their beaks pecking avidly at feed grains perfectly balanced for them with the help of a computer. A lean, tanned Arkansan gently retrieves the basket of eggs beneath their cages and places it on the carrying cart he's pushing before him.

The business is egg production, and *it's part of Kroger . . .*

Once it was a Cincinnati ghetto. Then the bulldozers came, and new industry followed. In the modern plant, a dark-haired young girl sits before a keyboard and electronically mixes colors to make the customer's amateur photograph come out just right.

The business is photofinishing, and *it's part of Kroger . . .*

Cows graze lazily in lush green Minnesota fields. Inside the plant nearby, women in white keep close watch over the sliced cheese moving precisely down the packaging line. With expert eyes, they check its color and texture for the required signs of high quality.

The business is cheese, and *it's part of Kroger . . .*

An attractive shopper completes her *weekly visit to her favorite Kroger* food store . . . while at a nearby Kroger meat plant (color inset), more Tenderay Brand Beef starts its trip to the meat case.

. . . While his mother fills her bascart, a future Kroger customer naps contentedly.

In a rural Georgia town, a skilled SupeRx pharmacist fills the prescription for the gentle grandmother who is a regular customer. In a downtown Detroit supermarket, a friendly Kroger produce clerk assists the man whose wife asked him to pick up some fresh vegetables enroute home from work. In a Kansas farming community, a cheerful Family Center employee measures out yard goods for the young mother who needs a new outfit for a family reunion.

The business is retailing, and *it's part of Kroger . . .*

All these scenes give life and meaning to the theme of this year's report to Kroger shareowners. They tell the story of our operational philosophy: *Total coordination of merchandising and manufacturing skills and resources* in a diverse array of *profitable pursuits.*

We're getting it all together. With our supermarkets as a strong base, we are implementing programs to maximize our corporate profitability through the smooth interrelationship of all our separate businesses.

Our food manufacturing facilities provide high quality products for our expanding supermarket business. Our food, drug and discount stores provide a dynamic market for our film processing plant. Our trading stamp company provides effective promotional programs for our retail outlets.

Constantly, we are identifying ways to produce a greater total return on our separate investments.

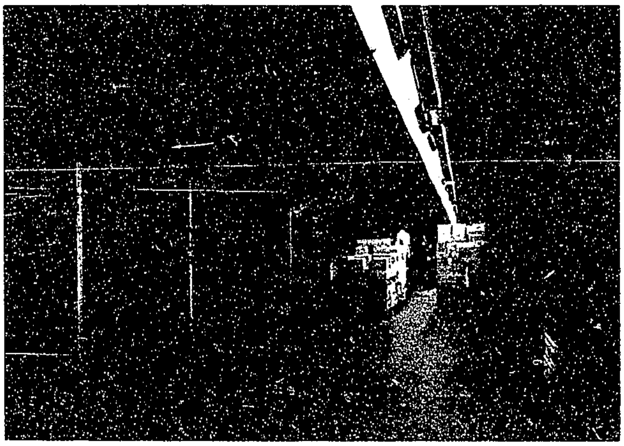
Our business goals are sound and attainable. Our new organization plan, implemented fully last year, offers an exciting combination of vision and realism, of experience and youth, of human talents and modern facilities.

We are convinced we are in the *right businesses* at the *right time.*

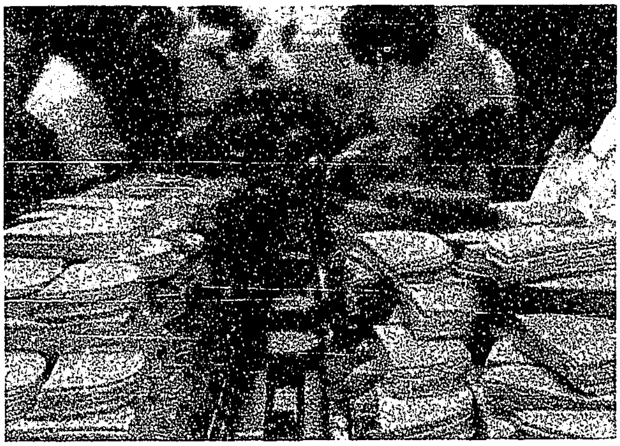
Our geographic spread is broad and encompasses vital centers of population growth. Our facilities are modern and strategically located. Our people are experienced and enthusiastic.

Our product line is varied and manufactured with quality and customer appeal uppermost in mind. Our retailing enterprises are innovative, growth-oriented and ready to serve shoppers. In a determined and programmed manner, we are turning corporate aspirations into corporate achievements.

Keeping store shelves filled is a round-the-clock job. Here, an order moves into Kroger trailers, ready for prompt delivery to a Kroger food store.



Moving steadily along a packaging line, golden sliced cheese is wrapped carefully to protect flavor and purity.



Sausage product plant opens

Consumption of wieners and luncheon meats in the U. S. has almost doubled in the last two decades, and more than one-third of this increase has taken place in the last two years. Our new sausage plant, located near Cincinnati, enables us to capitalize upon this growing consumer appetite for hot dogs and sandwiches. For the first time, our supermarkets have a single source of consistent quality and full variety Kroger brand sausage products.

The plant, opened in 1970, stresses quality throughout the production process. Its quality control laboratory is one of only 30 in the country to be certified by the U.S. Department of Agriculture.

We can produce 100,000 wieners and 10,000 pounds of luncheon meats per hour. Six months' production of wieners is enough to supply one to every man, woman and child in the nation—and just one month's production of luncheon meats would make a sandwich stack over a mile high.

The plant was planned and built through the combined skills and experience of our food manufacturing and supermarket personnel. As a result, it can meet our current needs comfortably and accommodate planned future growth.

Dairy foods volume increases

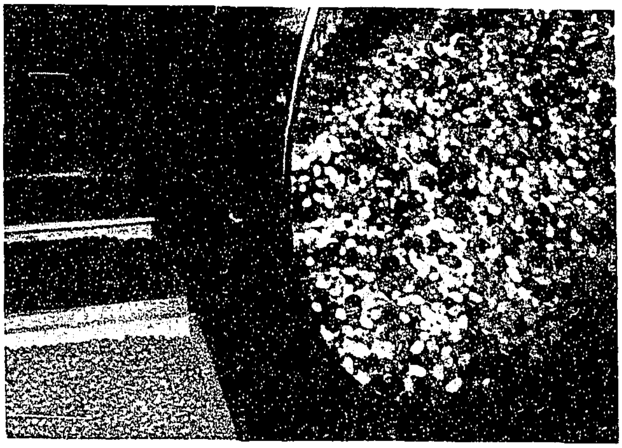
Our five milk and ice cream plants equip us to keep pace with the continuing popularity of dairy products. Last year, these facilities recorded their 11th successive sales gain.

Kroger customers expect consistently high-quality eggs. Making sure they meet the company's strict standards is an experienced inspector at a Kroger egg processing plant. (Left)

Cartons of Kroger farm-fresh milk whiz through the filling machine in the stainless-steel cleanliness of a Kroger dairy. (Above)

We now are operating a dairy in Texas, where the dynamic population growth has expanded our supermarket volume significantly. We also have begun construction of a new plant in Indianapolis to replace an existing facility. Scheduled to open in 1972, it will enable us for the first time to produce an array of highly-profitable novelty items such as ice cream bars and frozen cones.

Cheese consumption among Americans has risen steadily in recent years. Recognizing this trend, we have teamed up with a cooperative association of dairy farmers in a first step toward entry into the cheese business. In this initial stage, Kroger supermarkets have begun to offer a variety of tasty cheese items sliced, packaged and marketed through our manufacturing organization. Future expansion will be keyed to proven results.



Kroger fine candies have been pleasing young and old alike since the company's early days. Above, colorful jelly beans are mixed before being packaged at the Kroger candy kitchens.

More people means more bakery sales

Our new bakery in Houston will be completed this spring. It will have three times the production capacity of the plant it replaces, further evidence of our growing supermarket business in the populous Southwest. Use of controlled temperature devices within the plant will result in baked goods of uniformly high quality.

During 1970, we enlarged and remodeled our bakery facilities in Roanoke. We now provide expanded service to Kroger stores in the southeastern U. S. We also installed a continuous mix production line in our Cleveland bakery which will enhance product quality and produce new operating efficiencies.

Flaky and flavorful Royal Viking Danish pastry items combine deluxe bakery quality with supermarket shopping convenience.

Egg business continues to grow

Poultry and egg sales in Kroger supermarkets continue to increase, creating the need for expanded production facilities. In Arkansas, a new hatchery eventually will produce 28 million broilers annually—enough to feed a city the size of Philadelphia for a year. Egg production will increase through expansion of laying flocks.

A grain storage and feed milling complex also is being built. Feed for Kroger's flocks is made up of 35 different ingredients and nutritionally balanced with the aid of a computer. The system produces improved cost efficiencies while tailoring nutritional content of the feed to the particular needs of each flock.

Kroger customers select their favorites from a broad assortment of meat items . . . while a cash register totals one of nine million transactions recorded each week in Kroger supermarkets.

The potential return on our increasing investment in food manufacturing and food processing has been enhanced by our continuing emphasis on quality coupled with improving efficiencies. The variety, high quality and consumer value found in our manufactured items have won favor with other food distributors. During 1970, we continued our selective program of marketing our products to such organizations.

Meat plants improve quality controls

We opened our 13th meat fabricating and distribution plant in St. Louis last year. Two additional new facilities in Detroit and Pittsburgh will become operational this spring.

Fresh meat processed in these plants is under continuous inspection by experienced personnel from the U. S. Department of Agriculture as it is prepared for delivery to our supermarkets. Almost all Kroger stores now are being supplied with wholesale cuts of U. S. Choice Tenderay Brand Beef from these facilities. Both quality controls and cost efficiencies have been improved.

Tenderay Brand Beef was developed by Kroger in cooperation with Westinghouse Electric Corporation and the Mellon Institute of Industrial Research. This process, a Kroger exclusive, creates an aging atmosphere in which the natural tendering action is accelerated while sterile lamps keep the air pure and protect the meat. Since its introduction three decades ago, our customers have purchased almost seven billion pounds of Tenderay Brand Beef.

Film develops into new enterprise

Amateur photography has become a $4-billion a year industry in this country. Introduction of the drop-in film cartridge six years ago provided much of the momentum for the sixfold growth which has occurred in this hobby field in the past decade.

Our new photofinishing plant, opened last year, gives us a distinct advantage in capitalizing upon this dramatic increase in picture-taking by American families. Located in Cincinnati, this new plant can process over one million rolls of color and black and white film each year.

This photofinishing facility has the capacity to serve over 300 supermarkets, drug stores and discount units operated by the company. With combined processing and retailing capabilities, Kroger is uniquely equipped to attract a profitable share of the photography business.

Darkness is no stranger to a blind darkroom technician at the company's new photofinishing plant, where modern electronic equipment (color inset) produces high-quality color prints.

Flavorful hams packaged in Kroger meat plants provide a palate-pleasing centerpiece for any picnic table.

More than 15 million prescriptions are filled annually by SupeRx registered pharmacists.

Pharmacy professionalism remains profitable

Continuing emphasis on prescription business produced another year of increased profitability for SupeRx drug stores.

We filled more than 15 million prescriptions in 1970. This business accounts for 20% of our total drug store volume, well above industry averages. Only one other drug chain fills more prescriptions.

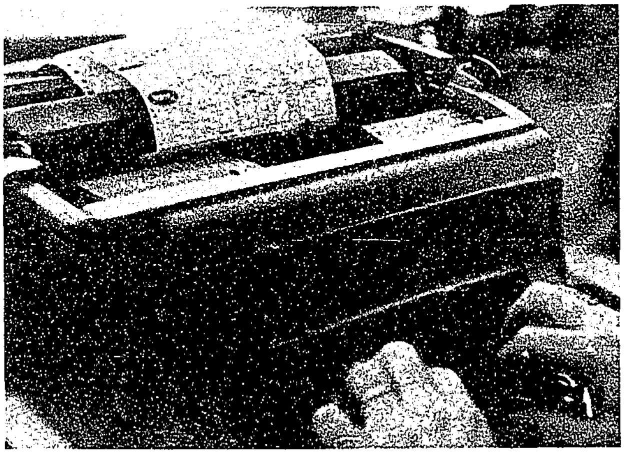
Remarkable growth was experienced, too, in third-party prescriptions (those paid for under government, union or private programs). Original and refill volume expanded 20-fold in just over one year, as these programs covered a fast-growing number of participants. SupeRx demonstrated effective leadership in working with government and industry groups to reduce the administrative costs attached to such programs.

Operational efficiency is a major goal within SupeRx. As American Druggist, a respected trade publication, said in its October, 1970, issue: "Emphasis on keeping costs down and on eliminating frills characterizes the entire SupeRx operation, from top to bottom." We exercise strong centralized control over procurement and merchandising, as well as simplified and uniform store layouts and operations.

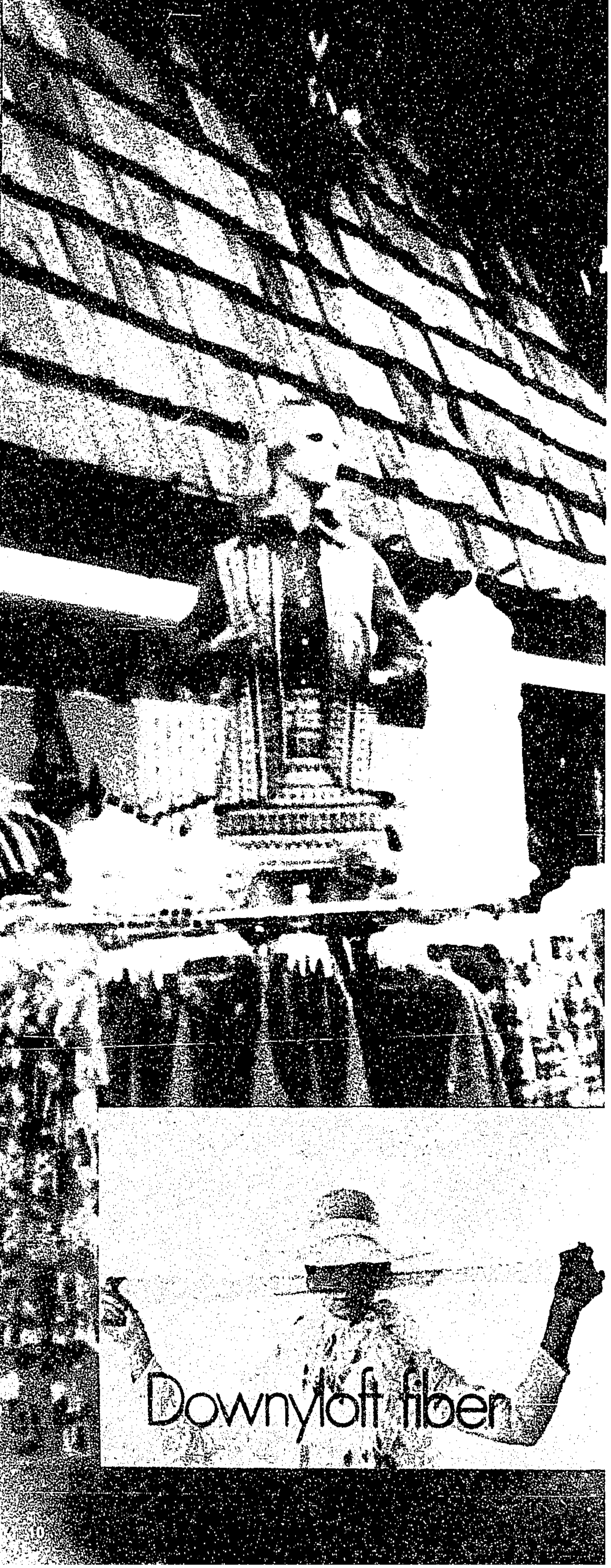
At the same time, a high level of pharmacy professionalism exists within the organization. Four of our six division executives hold pharmacy degrees, over 85% of our district managers are registered pharmacists and 74% of our stores are managed by registered pharmacists. An increasing number of pharmacy school graduates are choosing to pursue a professional career with SupeRx. As a result, the turnover rate among SupeRx pharmacists has been reduced substantially and continues to drop.

Profitable growth of SupeRx brand business was achieved in 1970 with the careful and selective addition of new items. Over 100 health and beauty aid items now are marketed under the SupeRx label, ranging from toothpaste and aspirin to hand lotion and shampoo. Highly-attractive profit margins prompt us to maintain the planned growth of this important segment of our total drug store business.

Last year, SupeRx sales were $276,592,000, an increase of 12% over 1969. We rank second in the industry in number of stores and our goal for the future was described accurately by American Druggist: "In 10 years, SupeRx has become the nation's second largest drug chain, and a contender for the number one spot."



SupeRx drug stores maintain careful records on every prescription.



Discount stores show progress

Eight years ago, a study of future retail trends convinced us discount stores were destined to capture a large share of shopper popularity. To prepare Kroger for this new merchandising emphasis, we opened our first Family Center store in Orange, Texas.

As our experimentation continued, we moved from a free-standing discount store to a combination of three separate units—food, drugs and general merchandise—operating side-by-side in the same location. Further experience produced refinement of our original concept, culminating in the Kroger Family Center of today. These units feature discount foods, drugs and general merchandise displayed under one roof and sold through one set of checkstands.

We have become one of the country's leading discount mass merchandisers. We now know we can operate successfully in a variety of competitive environments and we are moving ahead with our Family Center development program.

Delicatessens serve 'take out' shopper

New emphasis on unique merchandising concepts was evident within Kroger supermarkets last year. These timely programs provide attractive opportunities for greater profitability, both now and in future years.

For example, we now operate delicatessen departments in our supermarkets. They offer prepared foods warmed in the store, such as barbecued chickens and ribs, as well as cheeses, bakery items, luncheon meats, salads and desserts. The "take out" food business has grown rapidly in recent years, and we intend to equip more and more of our stores to capture an increased share of this important volume. By the end of 1971, we plan to have attractive delicatessen departments operating in 150 stores—nearly double the current number.

Frozen food sales have risen 70% in the last five years, creating a need for additional specialized warehousing facilities to accommodate growing customer demand.

Fashions for every occasion are a feature of Kroger Family Centers. Kroger's own hosiery line (color inset), featuring an exclusive new fiber, wins sales with sprightly advertising and satisfied customers.

New freezers were opened during the year in Memphis, Dallas and Ft. Wayne. Another will be opened this year in Roanoke.

Typical of the high quality of Kroger frozen foods is our new line of frozen fruit pies. Enriched flour is used in the flaky crusts, and printed right on the label is a written *guarantee* of the quantity and quality of the fruit in the fully packed pies . . . such as 400 Michigan blueberries, 140 Montmorency cherries, or six Rio-Osa peaches.

Kroger was first to sell frozen orange juice in six-packs and first to offer sweetened juice. Now we are selling orange juice concentrate in an entirely new package—a "square can." This new rectangular container takes 25% less room and is lighter to ship in our trailers, and is easier for shoppers to store in their home freezers. Customer acceptance to date has been most gratifying.

Aggressive merchandising programs, featuring imaginative and effective television commercials, enabled Kroger to lead the nation's supermarkets in hosiery sales. Capitalizing on a national wave of panty-hose popularity, our Kroger brand hosiery sales were 10 times greater last year than two years ago More than 13 million Ugly Ducklings, Smart Chicks and Turtles ("They never run")—all highly profitable hosiery items—were purchased by Kroger customers.

Expansion of distribution centers in Nashville and St. Louis was completed during 1970. Our new distribution complex in Houston will be phased in later this year.

Top Value growth continues

Trading stamps are a popular promotional tool in many supermarkets. Top Value Enterprises is the country's second largest trading stamp company. Revenues from stamp sales to more than 33,000 business firms were higher than a year ago.

Rapid sales progress also has been made by Top Value in the business incentives industry through special programs developed for some of the country's most prominent manufacturing, transportation and financial firms. These companies use Top Value trading stamps as awards in sales, service, safety and production incentive programs.

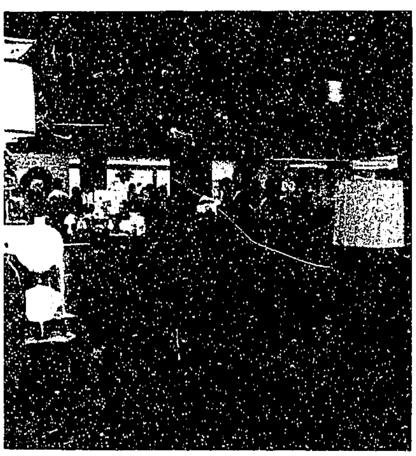
Leisure-time travel is growing as an incentive program tool. Top Value coordinates its activity in this field through T.V. Travel, its own full-service travel agency. In 1970, more than 5,600 travelers took trips arranged by T.V. Travel. The number of trips booked through the first quarter of 1971 exceeds the total number of trips arranged last year.

Last fall, Top Value embarked upon another exciting venture with the opening of its first Toys Internationale store in Dayton. This unique retail outlet features a merchandise line highlighting unusual toys imported from abroad. It is designed to appeal to quality and service-oriented customers who want to buy dependable toys. Additionally, the Toys Internationale store provides special delivery service (a birthday gift can be timed to arrive just moments before the candles on the cake are lighted) and a doll hospital (the oldest patient to date was an 85-year-old doll whose owner wanted it restored to original condition).

Yes, we believe we have the *right people*, the *right facilities* and the *right philosophy*. And we fully intend to make the most of it—for our customers, our employees, and you, our shareowners.

Top Value's 480 gift centers offer a wide assortment of household and personal items to stamp-saving shoppers. (Below)

Dolls designed to answer any little girl's dream beckon to Toys Internationale customers. (Right)



Kroger strives to be 'part of the solution'

"You are to be congratulated on your initiative in responding to a nutritional need and your exercise of responsibility. . . . When fortification of basic and widely eaten foods is coupled with sound nutrition education and promotion, there is every reason to believe we can eliminate malnutrition. . . . Your action benefits us all."

Secretary of Agriculture Clifford M. Hardin
May 1, 1970

In late 1969, the President of the United States convened the White House Conference on Food, Health and Nutrition. Its purpose: To focus public attention on the nation's health and nutritional problems, and to develop programs designed to attack these problems.

Five months later, Kroger voluntarily took action to implement one of the most important recommendations which came out of the White House Conference: Fortification of baked foods.

Since last spring, all white flour used in our 10 regional bakeries has been enriched with riboflavin (Vitamin B-2), thiamin (Vitamin B-1), niacin and iron in accordance with Federal standards. Most importantly, some 230 separate baked items—many of them in the snacks category—

Our fine baked foods are made with white flour enriched with vitamins and minerals. The crust of Kroger frozen fruit pies is fortified, too . . . and the fruit count is guaranteed in writing.

(The curious consumer shown above was featured in advertisements commending Kroger's response to customer needs which appeared in several national magazines. The advertisements were sponsored by Employers of Wausau.)

were enriched for the first time, a proposal which received strong emphasis by White House conferees.

We were not required to carry out this fortification program. We did so entirely on our own initiative. Other companies subsequently followed our example, bringing greater nutritional benefits to millions of Americans.

This program vividly illustrates The Kroger Co.'s desire to be responsive to public needs.

There are other examples of our concern and involvement:

In several communities, Kroger personnel helped to train women as nutritional aides under a U. S. Department of Agriculture program to provide food buying advice and nutrition information to low-income families.

These women, who are members of disadvantaged families themselves, met with Kroger personnel in Kroger stores to learn more about food shopping. They also inspected Kroger warehousing and manufacturing facilities to expand their knowledge. They now are taking this new knowledge into the ghettos in an effort to help uninformed families shop more wisely while improving their diets.

Most Americans, young and old alike, are deeply troubled by the growing problem of drug abuse. To meet the need for more understanding of drugs and the dangers of their abuse, the professional personnel at SupeRx developed an educational program and carried it into the communities served by our retail drug stores.

More than 300,000 informational leaflets have been distributed to parents and students. One SupeRx district manager, a registered pharmacist, has presented the program to 60 community groups in less than a year. Governor Louie Nunn of Kentucky was so impressed by the SupeRx material that he distributed it at a statewide drug abuse seminar.

Air pollution is a serious national concern, and Kroger is trying to do something about it. In-store balers—equipment which bundles and ties used packaging material—now are operating in over 300 stores, many of them replacing incinerators. We plan to install balers in an additional 100 stores in 1971. We now are shipping back to paper manufacturers about 50,000 tons a year which can be recycled for continued use.

Use of the balers not only reduces air pollution but spares the 50,000 acres of trees which would be required to meet the paper industry's needs for the same amount of pulp.

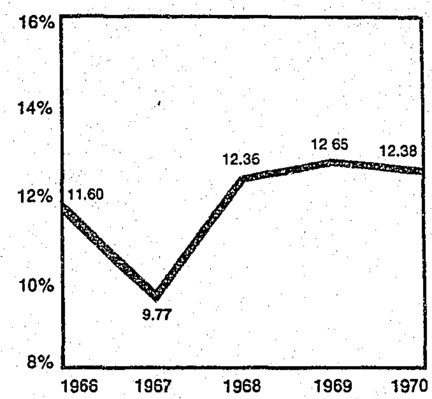
We do recognize and accept our responsibilities to the communities in which we do business. Kroger will continue to exert sustained effort to make them better places in which to live, work and raise a family.

The Kroger Co. 1970 Annual Report • Financial Section

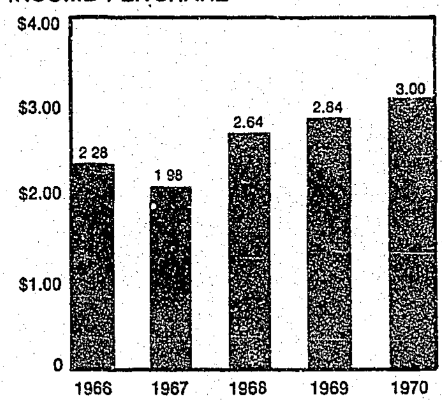
1014 Vine Street, Cincinnati, Ohio 45201

Contents

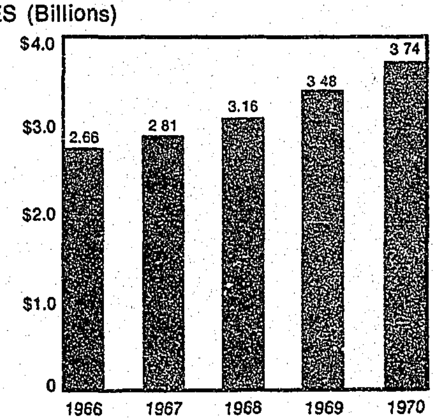
RETURN ON AVERAGE EQUITY



NET INCOME PER SHARE



SALES (Billions)



Financial Review

SALES AND EARNINGS

Consolidated net sales for the 53 weeks ended January 2, 1971 were $3,736 million, an increase of 7.4% over the $3,477 million for the 52 weeks ended December 27, 1969.

Consolidated net income amounted to $39.7 million, an increase of 6.3% over net income of $37.4 million in 1969, before extraordinary item. This amounted to $3.00 per common share, up from $2.84 before extraordinary item in 1969. A gain equivalent to 10¢ per share, classified as an extraordinary item, was realized during 1969 from the sale of stock in Blue Chip Stamp Company.

An unauthorized strike of drivers in St. Louis closed or disrupted 103 food stores and several regional food processing operations early in the year. This 14-week strike was settled in May and seriously impaired earnings in the second quarter. Attesting to the strengths of other operating units, however, the strike effects were overcome and the Company showed a significant earnings improvement for the year.

As shown in the following table, improved results were recorded in each of the two principal lines of business in which the Company is engaged. Sales and earnings results for "Supermarkets" include food and general merchandise stores, food processing operations, and other activities related to the supermarket business.

Sales

	SUPERMARKETS		DRUG STORES		
	$ in Millions	% of Total	$ in Millions	% of Total	Total
1970...	$3,459	92.6%	$ 277	7.4%	$3,736
1969...	3,232	93.0	245	7.0	3,477
1968...	2,942	93.1	219	6.9	3,161
1967...	2,618	93.3	188	6.7	2,806

Earnings (a)

	SUPERMARKETS		DRUG STORES		
	$ in Millions	% of Total	$ in Millions	% of Total	Total
1970...	$ 72.2	83.3%	$14.5	16.7%	$ 86.7
1969...	67.6	84.4	12.5	15.6	80.1
1968...	61.4	87.7	8.6	12.3	70.0
1967...	45.4	93.1	3.4	6.9	48.8

(a) Before LIFO adjustment, taxes based on income and extraordinary item.

Investment tax credits amounted to 5¢ per share, down from 22¢ in 1969. The investment tax credit was eliminated on purchase of new equipment contracted for after April 18, 1969.

Equity in net income of unconsolidated companies was $2.5 million or 19¢ per share, up from $2.2 million or 17¢ per share in the prior year. The major part of this income came from Top Value Enterprises, Inc., in which Kroger is the principal shareowner.

Kroger is one of the few large food chains using the LIFO (last-in, first-out) method of inventory valuation. This accounting method eliminates the effect of price inflation in inventories and results in a non-cash charge against earnings. Rapidly rising costs of merchandise in recent years have increased charges significantly. In 1970, LIFO charges were 29¢ per share as compared with 28¢ per share in 1969. Substantial benefits in the form of enhanced liquidity result from the use of this accounting method. At the end of 1970, the LIFO inventory reserve amounted to $45.6 million, with an associated federal income tax savings of $23.9 million. The following table shows the effect of the LIFO charge on reported earnings for the last five years.

	EARNINGS PER SHARE	
	Before LIFO Effect	After LIFO Effect
1970	$3.29	$3.00
1969	3.12(a)	2.84(a)
1968	2.80	2.64
1967	2.03	1.98
1966	2.40	2.28

(a) Before extraordinary item.

DIVIDENDS

Dividends of $1.30 per common share were paid in 1970, which marked the 69th consecutive year in which dividends have been paid out of current earnings. The regular quarterly dividend of 32½¢ per share payable March 1, 1971 to shareowners of record January 29, 1971 has been declared.

CAPITAL EXPENDITURES

Capital expenditures for 1970 totaled $89.3 million, an increase of $11.9 million from 1969. Major categories were:

	1970 (Millions)	1969 (Millions)
Stores and related equipment	$45.8	$37.6
Distribution centers, equipment and vehicles..	27.1	31.0
Food processing facilities and equipment	15.4	7.8
Miscellaneous	1.0	1.0
Total	$89.3	$77.4

During the past two years, upgrading of distribution facilities and systems received particular emphasis. Capital expenditures in 1971 are expected to be approximately $70 million with emphasis on expenditures directly relating to retail outlets and food processing facilities.

SALE OF FACILITIES IN CHICAGO AND TWIN CITIES

During the year the Company sold its 460,000 sq. ft. warehouse and distribution center in Northlake, Illinois, a suburb of Chicago. The sale of 26 stores in the Chicago area was also announced. By year end, 14 of these stores had been transferred to the new owners. The balance are scheduled to be transferred in the early months of 1971. Kroger will continue to operate, as a part of the Peoria and Ft. Wayne divisions, a number of food stores in certain suburban Chicago communities. In October, 1970 the Company sold its 16 stores in the Minneapolis-St. Paul area.

The sale of these facilities is indicative of the Company's willingness to divest itself of underproductive operations to enable acceleration of capital investment in more profitable areas and to improve rate of return on investment.

WORKING CAPITAL

Working capital at year end was $108.3 million, an improvement of $52.0 million during the year. The current ratio was 1.4:1 as compared with 1.2:1 at the end of 1969. The company is an active short-term borrower for seasonal needs from banks and in the commercial paper market. Purchasers of the Company's commercial paper have continued to regard highly the Kroger name throughout the extremes experienced in the money market in 1970. To support the borrowing program the company has substantial lines of credit with major commercial banks located in many large cities in the United States. Adequate provision has been made to assure liquidity under any foreseeable set of circumstances. Improved methods of forecasting should enable the company to maintain this healthy position.

LONG-TERM FINANCING

On April 28, 1970 Kroger sold $50 million of 9% Sinking Fund Debentures due in 1995 and $25 million of 8⅞% Notes due in 1975. This was the Company's first sale of its debt securities to the public. The net proceeds from the sale of the debentures and notes were added to the general funds of the Company and were initially used to reduce short-term borrowings. Both securities are actively traded on the New York Stock Exchange and were rated "A" by the two major debt rating agencies. The Company does not anticipate public financings during 1971.

SALE-LEASEBACK TRANSACTION

During the year the Company entered into an agreement for the sale and subsequent leaseback of its food processing complex located in Springdale, Ohio, just north of Cincinnati. The total proceeds from this transaction will be $16 million. Approximately $4.5 million was received in September 1970 and the balance will be received in March 1971. Additional sale-leaseback transactions are possible during 1971.

TERMINATION OF PROFIT SHARING

On September 18, 1970 the Company took action to terminate the Employees' Savings and Profit Sharing Plan as of the end of the 1970 fiscal year. Membership in the Plan had declined substantially and the Company believed the Plan no longer served its original purpose with such a limited participation. The Trust relating to the Plan included 683,327 shares of Kroger common stock among its portfolio of investments. The Trustees elected to sell these shares to the public through a secondary offering on October 21, 1970.

The Company's contribution to the Plan was $4.0 million for the 1970 fiscal year. There will be no contribution for 1971 and subsequent years. While termination of the Plan will eliminate the annual contribution, the Company believes that such savings may be offset, at least in part, by contributions to other pension or retirement plans.

CONSOLIDATED BALANCE SHEET

ASSETS	JAN. 2, 1971	DEC. 27, 1969
CURRENT ASSETS		
Cash	$ 54,505,691	$ 29,562,585
Receivables	54,166,209	37,747,827
Inventories	262,597,515	271,889,239
Store and general supplies	3,730,788	3,193,065
Prepaid and miscellaneous assets	15,921,182	13,687,686
Total Current Assets	$390,921,385	$356,080,402
PROPERTY, PLANT AND EQUIPMENT		
Land	$ 20,504,836	$ 18,530,518
Buildings	82,665,682	69,551,553
Equipment	348,051,154	331,765,651
Leaseholds and leasehold improvements	102,933,403	95,738,792
	$554,155,075	$515,586,514
Less allowance for depreciation and amortization	217,580,646	210,332,716
Net Property, Plant and Equipment	$336,574,429	$305,253,798
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated companies	$ 19,544,397	$ 16,934,705
Other investments, at cost, and other assets	6,685,827	
Excess of cost of investments in consolidated subsidiaries over equities in net assets	14,050,648	14,050,640
Total Investments and Other Assets	$ 40,280,872	$ 30,985,345
Total Assets	$767,776,686	$692,319,545

LIABILITIES

	JAN. 2, 1971	DEC. 27, 1969
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 8,658,969**	$ 2,331,000
Notes payable		36,000,000
Accounts payable	**179,545,191**	175,055,790
Accrued expenses	**74,566,336**	69,791,905
Accrued federal taxes	**19,880,306**	16,582,463
Total Current Liabilities	**$282,650,802**	$299,761,158
OTHER LIABILITIES		
Long-term debt	**$ 93,823,437**	$ 26,359,000
Deferred federal income taxes	**18,028,400**	16,270,342
Employees' benefit fund	**40,822,485**	40,629,725
Total Other Liabilities	**$152,674,322**	$ 83,259,067
Total Liabilities	**$435,325,124**	$383,020,225

SHAREOWNERS' EQUITY

Common capital stock, par $1		
Authorized: 18,000,000 shares		
Issued: 1970 — 13,561,184		
1969 — 13,538,476	**$ 83,824,520**	$ 83,212,640
Accumulated earnings	**258,475,918**	235,935,556
	$342,300,438	$319,148,196
Less, common capital stock held in treasury, at cost		
1970 — 286,772 shares; 1969 — 286,772 shares	**9,848,876**	9,848,876
Total Shareowners' Equity	**$332,451,562**	$309,299,320
Total Liabilities and Shareowners' Equity	**$767,776,686**	$692,319,545

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF INCOME

Years Ended January 2, 1971 and December 27, 1969	**1970 (53 weeks)**	1969 (52 weeks)
Income:		
Sales	**$3,735,774,014**	$3,477,164,119
Equity in net income of unconsolidated companies	**2,481,777**	2,235,204
Total	**$3,738,255,791**	$3,479,399,323
Costs and Expenses:		
Merchandise costs including warehousing and transportation	**$2,921,644,547**	$2,764,954,775
Operating, general and administrative expenses	**637,787,052**	553,817,297
Rent	**55,072,706**	51,367,704
Depreciation and amortization	**35,719,830**	31,929,488
Interest on long-term debt	**5,673,537**	1,378,487
Other interest expense	**3,786,971**	4,334,556
Taxes based on income	**38,838,704**	34,229,004
Total	**$3,698,523,347**	$3,442,011,311
Income before extraordinary item	**$ 39,732,444**	$ 37,388,012
Gain on sale of investment, net of applicable income taxes		1,342,120
Net Income	**$ 39,732,444**	$ 38,730,132
Average number of shares of common stock outstanding	**13,258,422**	13,170,601
Per share of common stock:		
Income before extraordinary item	**$ 3.00**	$ 2.84
Extraordinary item		.10
Net income	**$ 3.00**	$ 2.94

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS

Years Ended January 2, 1971 and December 27, 1969	**1970**	1969
Accumulated earnings—Beginning of the year	**$ 235,935,556**	$ 214,239,827
Net income for the year	**39,732,444**	38,730,132
	$ 275,668,000	$ 252,969,959
Dividends: Preferred	**$**	$ 807
Common—$1.30 per share	**17,192,082**	17,033,596
	$ 17,192,082	$ 17,034,403
Accumulated earnings—End of the year	**$ 258,475,918**	$ 235,935,556

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS

Years Ended January 2, 1971 and December 27, 1969	1970 (53 weeks)	1969 (52 weeks)
SOURCES		
From current operations:		
Net income	$ 39,732,444	$ 38,730,132
Charges to income not requiring funds:		
Depreciation and amortization	35,719,830	31,929,488
Provision for employees' benefit fund, net of payments	192,760	3,523,879
Provision for deferred income taxes	1,758,058	1,910,392
Total sources from current operations	$ 77,403,092	$ 76,093,891
Capital stock issued under option plans	611,880	1,872,615
Capital stock issued for acquisitions		5,062,566
Additions to long-term debt	76,123,406	
Sale of capital assets subsequently leased back	16,000,000	
Net book value of capital asset disposals	8,325,557	2,058,088
Total sources	$ 178,463,935	$ 85,087,160
USES		
Capital expenditures	$ 89,325,600	$ 77,447,546
Dividends paid	17,192,082	17,034,403
Purchases of common stock for treasury		1,040,604
Reductions of long-term debt	8,658,969	2,331,000
Investments in and advances to unconsolidated companies	2,609,692	7,621,430
Notes received related to capital asset disposals	6,129,276	
Other changes—net	2,596,977	855,395
Total uses	$ 126,512,596	$ 106,330,378
Net change in working capital	$ 51,951,339	$(21,243,218)

ANALYSIS OF WORKING CAPITAL CHANGES

Current asset changes:		
Cash	$ 24,943,106	$ 1,830,598
Inventories	(9,291,724)	38,712,441
Other current assets	19,189,601	10,126,109
Net increase (decrease) in current assets	$ 34,840,983	$ 50,669,148
Current liability changes:		
Notes payable and current portion of long-term debt	$(29,672,031)	$ 35,993,000
Accounts payable	4,489,401	26,117,641
Accrued expenses and taxes	8,072,274	9,801,725
Net increase (decrease) in current liabilities	$(17,110,356)	$ 71,912,366
Net change in working capital	$ 51,951,339	$(21,243,218)

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the Company and all of its domestic subsidiaries except Top Value Enterprises, Inc. and two other companies which are included in the income statement on the equity basis.

The Company's investment in its unconsolidated domestic subsidiaries and fifty percent owned companies at January 2, 1971, as shown by its books was $3,470,182 in excess of its equity in the net assets of such companies as shown by their books. The Company's equity in the earnings of these companies is included for the preceding fiscal year for those companies not on a calendar year closing.

Investments in and advances to unconsolidated companies at January 2, 1971, included:

Domestic subsidiaries and fifty percent owned companies, at cost plus share of undistributed earnings since acquisition ..	$19,095,512
Foreign subsidiaries, at cost	448,885
	$19,544,397

The excess of cost of investments in consolidated subsidiaries over equities in net assets at dates of acquisition is not being amortized because, in the opinion of management, there has been no decrease in value.

Certain amounts in the financial statements for 1969 have been reclassified to conform to the 1970 presentation

RECEIVABLES

Receivables at January 2, 1971 include $11,450,000 which becomes due in March, 1971, resulting from the sale at net book value of the food processing complex in Springdale, Ohio, and $2,000,000 received in January, 1971, representing the final proceeds from the sale of the 9% sinking fund debentures.

INVENTORIES

The inventories are valued at cost or market, whichever is lower. Cost for approximately 74 percent of these inventories at January 2, 1971, and 79 percent at December 27, 1969, is determined on the LIFO (last-in, first-out) method. LIFO inventories at January 2, 1971, and December 27, 1969 were approximately $45,634,000 and $37,455,000, respectively, less than the amounts of such inventories priced on the first-in, first-out basis. The methods of determining cost for the balance of inventories are retail and first-in, first-out.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost Depreciation and amortization is computed principally on a straight-line basis.

LEASES

The Company operates principally in leased premises. Lease terms generally range from ten to twenty-five years with options of renewal for additional periods. Options provide in some cases for renewals at reduced rentals and/or the right to purchase. Aggregate minimum annual rentals are approximately $57,553,052 of which $40,007,108 relates to leases outstanding at January 2, 1971 and expiring subsequent to 1975.

LONG-TERM DEBT

Long-term debt at January 2, 1971 included:

3.6% notes maturing in 1971	$ 7,000,000
5¼% notes, 70% maturing in 1978, and 30% maturing in 1979, with annual prepayments of $500,000	6,650,000
5.3% notes maturing in 1981; with annual prepayments of $750,000	11,250,000
5½% notes maturing in 1977, with annual prepayments of $140,000 to November 1, 1973 and $160,000 thereafter	1,080,000
8⅞% notes maturing in 1975	25,000,000
9% sinking fund debentures maturing in 1995; with annual prepayments of $2,500,000 commencing in 1976	50,000,000
5½% to 6¾% notes (assumed in connection with acquisitions); balance due annually in varying amounts through 1980	1,502,406
	102,482,406
Less amount due within one year	8,658,969
	$ 93,823,437

Under certain of the loan agreements, payments of cash dividends are limited. Under the most limiting agreement, accumulated earnings were unrestricted in the amount of $73,152,242 at January 2, 1971.

PREFERRED STOCK

The Company has authorized 750,000 shares of voting cumulative preferred stock. The stock has a par value of $50 per share and is issuable in series. None is outstanding at January 2, 1971.

During 1969, the Company purchased and retired the outstanding shares of First Preferred Stock.

COMMON STOCK

Changes in common stock during 1970 were as follows:

	Issued		Treasury	
	Shares	Amount	Shares	Amount
Beginning	13,538,476	$83,212,640	286,772	$9,848,876
Exercise of options	22,708	611,880		
End	13,561,184	$83,824,520	286,772	$9,848,876

STOCK OPTION PLANS

At January 2, 1971, options to purchase common stock of the Company were outstanding under the 1956, 1961, 1965 and 1969 Stock Option Plans. No further options may be granted under the 1956 and 1961 Plans. At January 2, 1971, shares of common stock available for future options under the 1965 and 1969 Plans amounted to 32,750 shares and 90,500 shares, respectively.

At December 27, 1969, options to purchase 457,751 shares of common stock were in force. Option transactions during 1970 may be summarized as follows: granted 116,500 shares (at prices ranging from $26.75 to $36.44 per share); exercised 22,708 shares (at prices ranging from $20.31 to $31.88 per share); expired or canceled 25,800 shares. Options to purchase 525,743 shares (at prices ranging from $20.31 to $37.50 per share) were in force at January 2, 1971. Options for 285,103 shares were exercisable at January 2, 1971.

PENSION AND PROFIT SHARING PLANS

The Company and certain of its subsidiaries have noncontributory retirement plans for eligible employees. Pension costs accrued each year are presently being funded for only one of these plans. Past service costs are being amortized over forty years. There are no vested benefits in excess of pension funds and balance sheet accruals at January 2, 1971 The Company also contributes to multi-employer plans jointly administered by management and union representatives. The total pension expense for all plans for 1970 and 1969 was $14,466,601 and $15,382,329, respectively

The Company also had an Employees' Savings and Profit Sharing Plan which was discontinued as of the close of 1970. The expense for 1970 and 1969 was $4,002,620 and $3,441,821, respectively.

TAXES BASED ON INCOME

The provision for taxes based on income included.

	1970	1969
Federal		
Currently payable	$32,838,942	$28,104,608
Deferred	1,758,058	1,910,392
	34,597,000	30,015,000
State and local	4,241,704	4,214,004
Total	$38,838,704	$34,229,004

Investment tax credits applied to reduce currently payable federal income taxes amounted to $441,500 in 1970 and $2,582,000 in 1969.

Deferred federal income taxes included the amount of tax applicable to the excess of accelerated depreciation allowances and the effect of guideline lives over the normal depreciation charged to income, net of the amount of tax applicable to the unfunded portion of employees' benefit fund expense which has been charged to income.

Report of Certified Public Accountants

To the Shareowners and
Board of Directors
The Kroger Co.

We have examined the consolidated balance sheet of The Kroger Co and Consolidated Subsidiary Companies as of January 2, 1971, and the related consolidated statements of income and accumulated earnings and the consolidated statement of sources and uses of funds for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of The Kroger Co. and Consolidated Subsidiary Companies for the 52 weeks ended December 27, 1969.

In our opinion, the above referred to financial statements present fairly the consolidated financial position of The Kroger Co. and Consolidated Subsidiary Companies at January 2, 1971, and December 27, 1969, and the consolidated results of their operations and sources and uses of funds for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery
38th Floor, Carew Tower
Cincinnati, Ohio 45202
February 12, 1971

Lybrand, Ross Bros. & Montgomery

TEN YEAR SUMMARY

INCOME STATISTICS (thousands of dollars, except per share figures)	1970(a)	1969	1968	1967
Sales	$3,735,774	3,477,164	3,160,838	2,806,074
Net Income	$ 39,732	37,388(b)	34,003	25,716
Dividends	$ 17,192	17,034	17,091	17,170
Retained Earnings	$ 22,540	21,696	16,912	8,546
Profit Margin (net income ÷ sales)	1.06%	1.08%(b)	1.08%	.92%
Equity Turnover (sales ÷ average equity)	11.6	11.8	11.5	10.7
Return on Average Equity	12.38%	12.65%	12.36%	9.77%
Per Share				
Net Income Before Effect of LIFO (c)	$ 3.29	3.12(b)	2.80	2.03
Net Income (c)	$ 3.00	2.84(b)	2.64	1.98
Dividends	$ 1.30	1.30	1.30	1.30

BALANCE SHEET STATISTICS (thousands of dollars, except per share figures)	1970(a)	1969	1968	1967
Inventories	$ 262,598	271,889	233,177	205,120
Working Capital	$ 108,271	56,319	77,562	87,967
Net Property, Plant and Equipment	$ 336,574	305,254	260,962	237,920
Total Assets	$ 767,777	692,320	589,738	547,683
Long-Term Debt	$ 102,482	28,690	31,028	33,455
Shareowners' Equity	$ 332,452	309,299	281,733	268,657
Per Share of Common	$ 25.04	23.34	21.53	19.65

OTHER STATISTICS (dollars and shares in thousands)	1970(a)	1969	1968	1967
Depreciation and Amortization	$ 35,720	31,929	31,157	29,504
Capital Expenditures	$ 89,326	77,448	56,768	48,307
Common Shares Outstanding	13,274	13,252	13,082	12,497
Number of Shareowners	44,786	45,780	49,575	52,885
Number of Regular Employees	53,811	51,196	48,128	44,604

RETAIL FACILITIES (areas in thousands of square feet)	1970(a)	1969	1968	1967
Food Stores	1,482	1,488	1,479	1,476
Total Area	24,357	24,401	24,101	23,841
Drug Stores	431	381	347	309
Total Area	3,946	3,482	3,172	2,855
Family Centers	40	29	21	12
Total Area	2,100	1,516	1,093	693

(a) Fifty-three weeks.
(b) Represents income before extraordinary item of $1,342,120 or $.10 per share arising from gain on sale of investments.
(c) 1966-1970 Based on average number of shares outstanding during the year. Prior years based on shares outstanding at respective year ends.

1966	1965(a)	1964	1963	1962	1961
2,659,983	2,555,109	2,327,563	2,102,106	1,947,571	1,842,343
29,383	31,995	27,923	22,079	20,424	16,953
17,157	16,353	15,228	14,168	13,846	13,858
12,226	15,642	12,695	7,911	6,579	3,094
1.10%	1.25%	1.20%	1.05%	1.05%	.92%
10.5	10.6	10.1	10.0	10.2	9.9
11.60%	13.22%	12.14%	10.54%	10.66%	9.07%
2.40	2.50	2.22	1.79	1.63	1.39
2.28	2.47	2.14	1.73	1.62	1.34
1.30	1.22½	1.12½	1.10	1.10	1.10
183,995	184,344	169,501	156,420	131,832	121,395
66,940	90,410	102,272	93,949	82,086	95,695
248,750	216,013	198,357	190,955	174,684	169,967
525,741	514,621	495,414	452,232	401,128	379,705
35,762	41,174	42,945	44,565	62,617	63,434
258,007	248,763	235,239	224,592	194,304	188,885
18.92	18.03	16.81	15.94	15.39	14.96
26,426	24,204	22,308	20,027	18,932	18,992
66,626	44,489	31,761	31,379	36,151	32,655
12,415	12,515	12,585	12,634	12,625	12,621
45,411	40,804	41,602	42,904	39,936	36,368
41,462	39,997	39,785	39,130	37,440	37,308
1,488	1,457	1,430	1,423	1,363	1,354
23,826	23,150	22,242	21,973	19,788	18,940
245	180	146	119	66	18
2,296	1,722	1,420	1,156	606	181
9	3	3	2	1	—
530	171	171	111	54	—

Kroger Trade Area

Area by States	Kroger Food Stores	SupeRx Drug Stores	Family Center Stores	Top Value Gift Centers
NORTHEAST Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey & Pennsylvania.	50	18	—	54
CENTRAL Ohio, Indiana, Illinois, Michigan & Wisconsin.	745	152	5	143
MIDWEST Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska & Kansas.	95	32	6	22
SOUTHEAST Delaware, District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia & Florida.	146	99	4	110
SOUTH CENTRAL Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma & Texas.	368	92	25	139
WEST Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon & California.	78	38	—	9
TOTALS	1482	431	40	477

1970 Store Program

	Kroger Food Stores	SupeRx Drug Stores	Family Center Stores
STORES OPENED	88	53	11
STORES CLOSED	94	3	—
STORES REMODELED	84	—	1
NET INCREASE (DECREASE)	(6)	50	11

DIRECTORS

ROBERT O. ADERS, *Chairman of the Board*

H. U. ANDREAE, *President,* The Jeffrey Company

WILLIAM W. BOESCHENSTEIN, *Executive Vice President,* Owens-Corning Fiberglas Corporation

BEN H. CARPENTER, *Chairman of the Board,* Southland Life Insurance Company

JACOB E. DAVIS, *Former Chairman and President*

LYLE EVERINGHAM, *Vice President; President,* Kroger Food Stores

JAMES P. HERRING, *President and Chief Executive Officer*

GENE D. HOFFMAN, *Vice President, President,* Kroger Food Processing

JOHN M. LOCKHART, *Executive Vice President, President,* Family Center Stores

T. BALLARD MORTON, JR., *President,* Orion Broadcasting, Inc.

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WILLIAM P. RUNYAN, *Vice President; President,* Top Value Enterprises, Inc.

R. NELSON SHAW, *President,* Mercantile Stores Company, Inc.

EDWARD D. SMITH, *Chairman and President,* The First National Bank of Atlanta

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JAMES E. BAKER, *Vice President and Treasurer*

ROBERT W. BRAUNSCHWEIG, *Vice President*

LYLE EVERINGHAM, *Vice President; President,* Kroger Food Stores

JAMES P. HERRING, *President and Chief Executive Officer*

GENE D. HOFFMAN, *Vice President; President,* Kroger Food Processing

BENNETT A. HUDSON, *Vice President*

GEORGE A. LEONARD, *Vice President, Secretary and General Counsel*

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ARTHUR L. FERGUSON, *Assistant Secretary*

IRLE R. HICKS, *Assistant Treasurer*

WILLIAM G. KAGLER, *Assistant Secretary*

LORRENCE T. KELLAR, *Assistant Treasurer*

OPERATING AND STAFF VICE PRESIDENTS

N. RONALD ADAMS, *SupeRx Controller*
FREDERICK W. BARNEY, *SupeRx Associated Businesses*
WILLIAM K. BAUMGARTH, *SupeRx South Central Division*
BILL G. BEATY, *KFS Little Rock*
STUART M. BERMAN, *KFP Management Services*
CARL W BRIESKE, *Corporate Tax Counsel*
NEWTON W BRIGGS, *KFS Charleston*
R. GUS BUBLITZ, *KFS Wisconsin*
PAUL E. BURCH, *Family Center Operations*
DAVID A. BURT, *KFS Grand Rapids*
JOHN A. CORNETT, *KFP Dairy Foods*
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